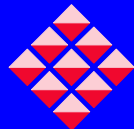


**MassHealth:
Dispelling Myths
&
Preserving Progress**

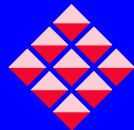
Massachusetts Health Policy Forum
June 5, 2002

Karen Quigley, Audrey Shelto, Nancy Turnbull

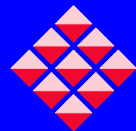
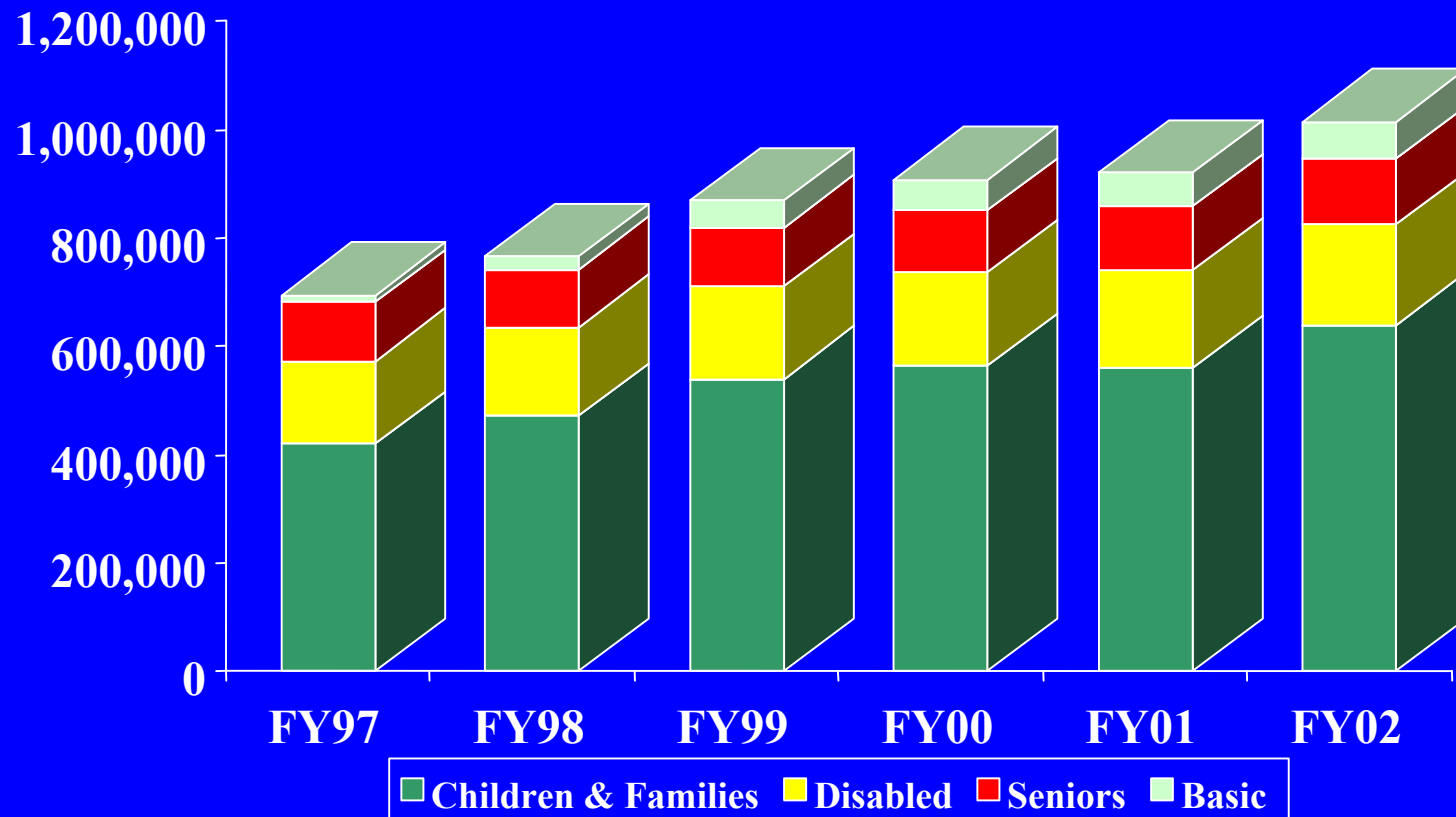


Successes of MassHealth

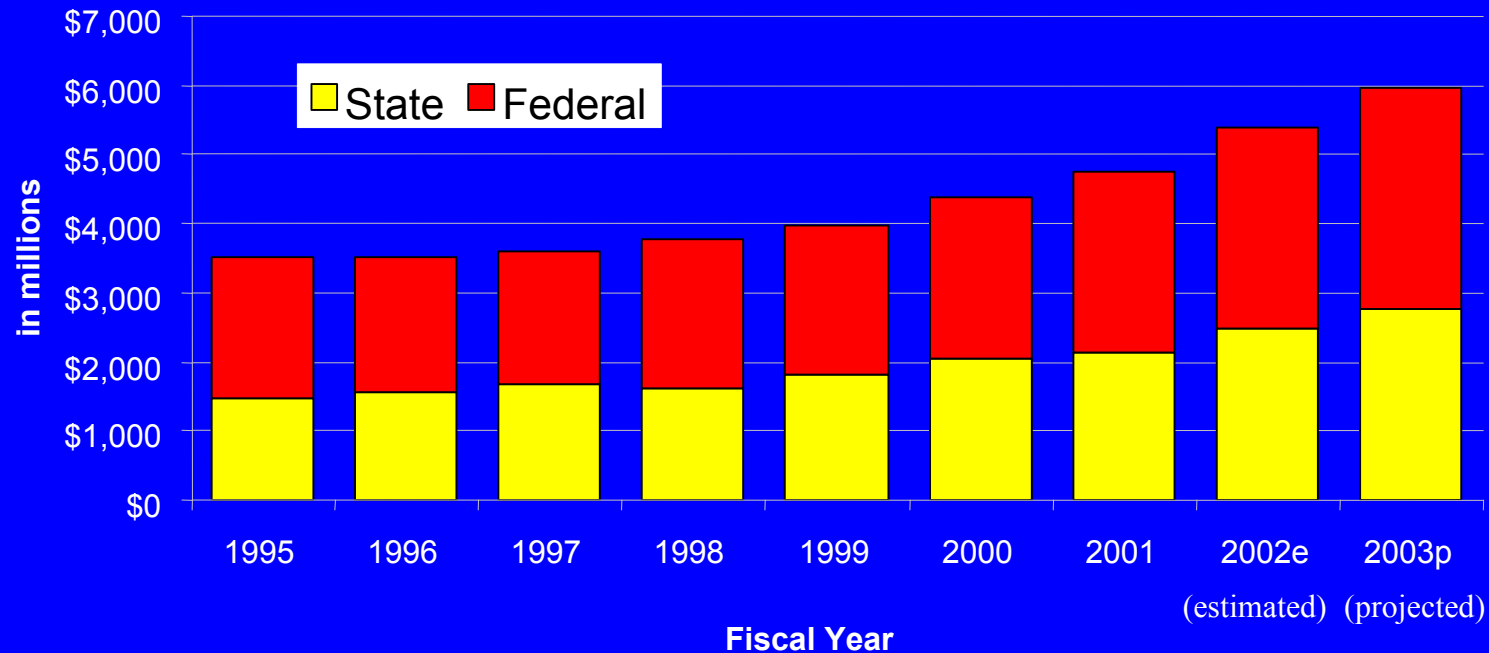
- Program serves most vulnerable
- State's deliberate efforts to expand health coverage have been very successful
- Expansions are a major reason for relatively low rate of uninsured in Massachusetts
 - 3% for children vs. 12% in US
 - ~6% for adults vs. 16% in US
- Program is essential source of payment for many providers, particularly the safety net



MassHealth Enrollment Has Grown by Over 300,000 since FY97



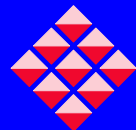
MassHealth Spending: FY 1996-2003p*



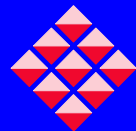
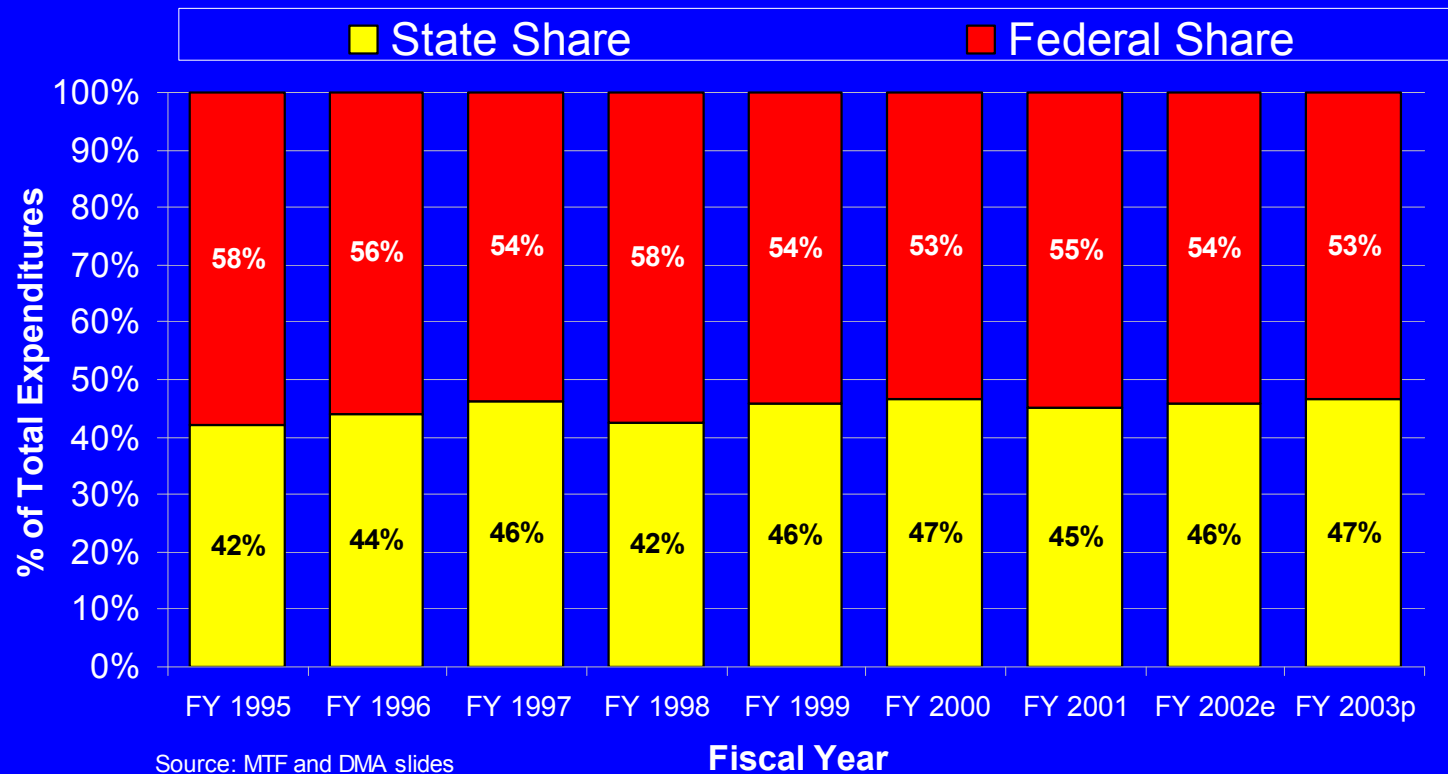
	1995	1996	1997	1998	1999	2000	2001	2002e	2003p
State	\$ 1,476.7	\$ 1,543.9	\$ 1,657.5	\$ 1,603.9	\$ 1,819.9	\$ 2,043.4	\$ 2,140.4	\$ 2,465.6	\$ 2,769.9
Federal	\$ 2,026.6	\$ 1,980.6	\$ 1,939.3	\$ 2,172.8	\$ 2,155.3	\$ 2,347.0	\$ 2,623.8	\$ 2,910.2	\$ 3,182.1
Total Medicaid	\$ 3,503.3	\$ 3,524.5	\$ 3,596.8	\$ 3,776.7	\$ 3,975.2	\$ 4,390.4	\$ 4,764.2	\$ 5,375.8	\$ 5,952.0

*Excludes disproportionate share hospital payments.

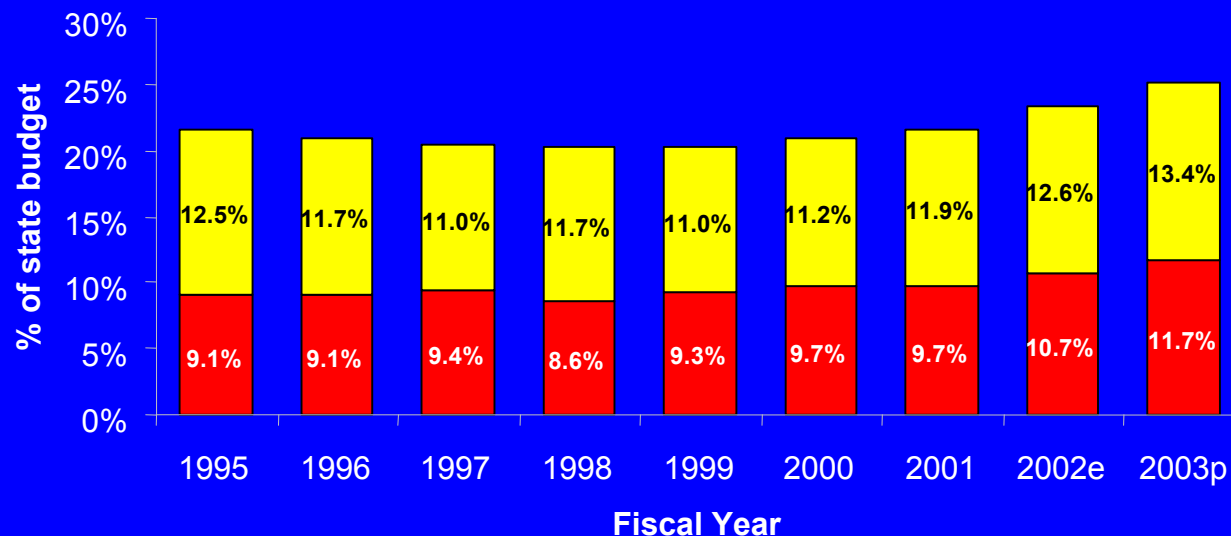
Source: Mass. Taxpayers Foundation



Less Than Half of MassHealth Spending is Paid by the State



MassHealth Is A Growing Share of the State's Budget, Both In Total and in Terms of the State Share of Spending



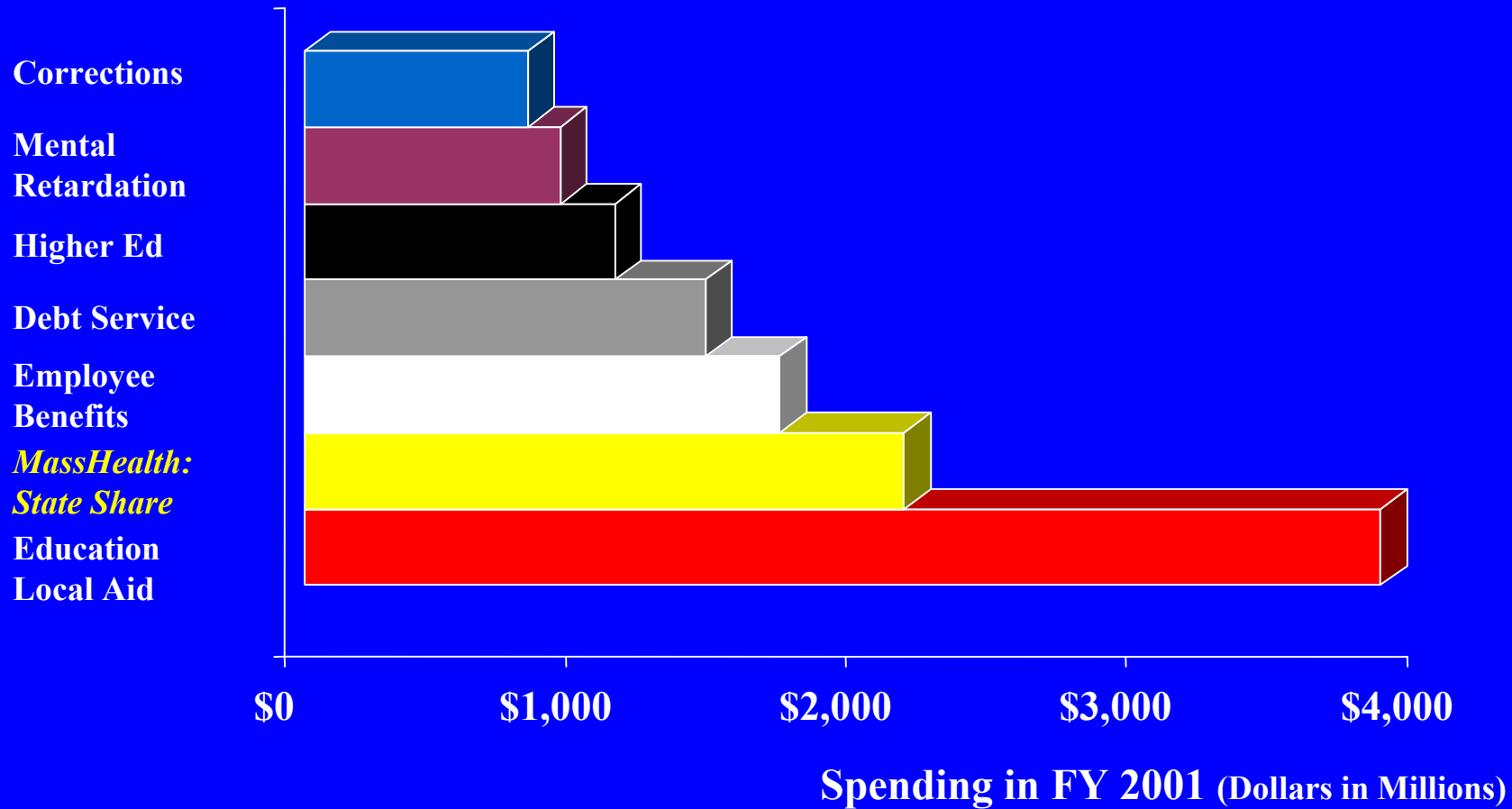
State Share Federal Share

	1995	1996	1997	1998	1999	2000	2001	2002e	2003p
State Share	9.1%	9.1%	9.4%	8.6%	9.3%	9.7%	9.7%	10.7%	11.7%
Federal Share	12.5%	11.7%	11.0%	11.7%	11.0%	11.2%	11.9%	12.6%	13.4%

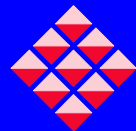
Source: MTF, 2002e based on governor's supplemental requests to date; 2003p Medicaid based on House 1, total budget based on MTF projection of 3% growth over 2001.



The State's Share of MassHealth Spending is Not Out of Line With Spending for Other Important Priorities, Such as Education and Benefits for State Employees

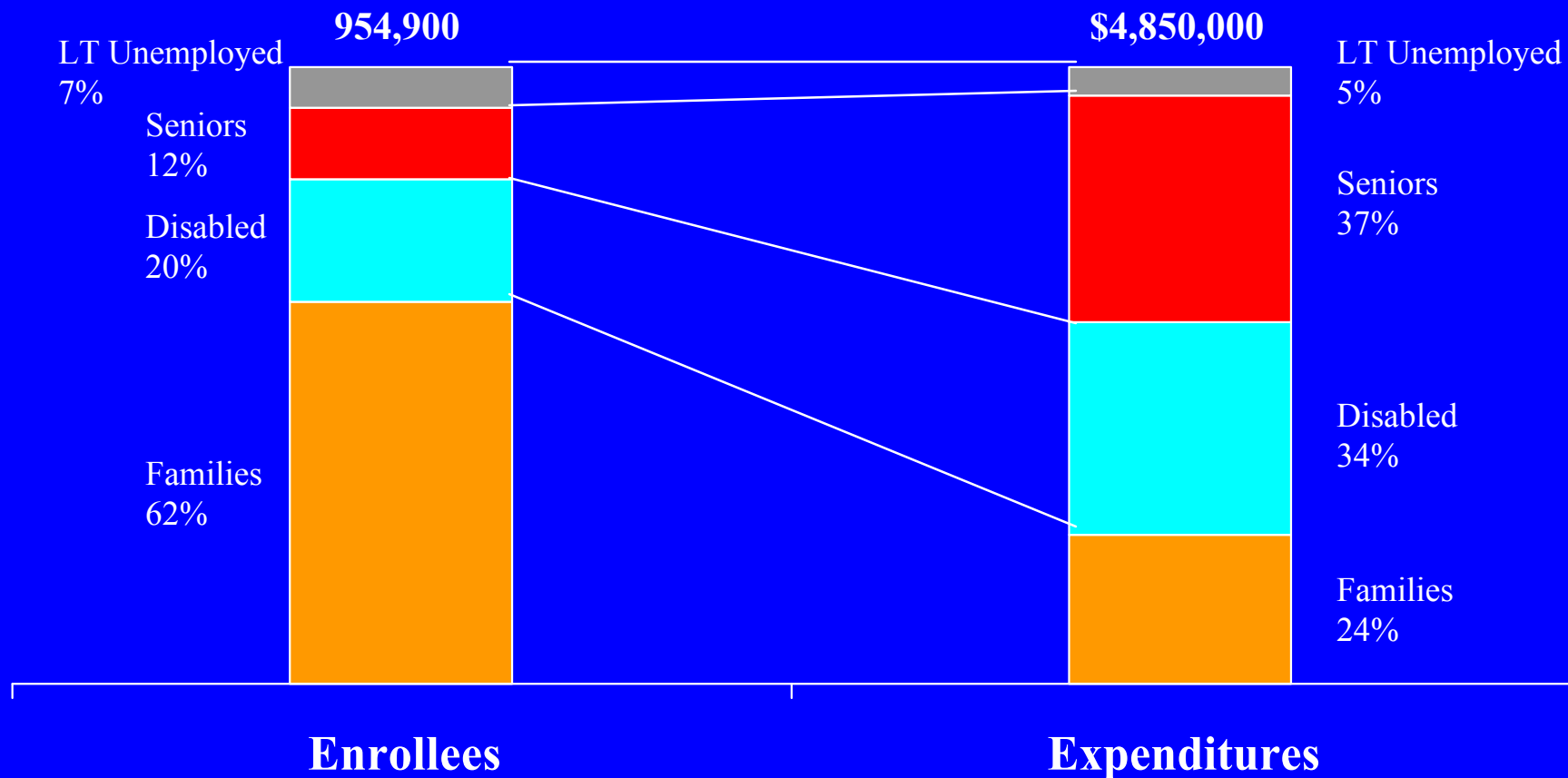


Source: Mass. Taxpayers Foundation



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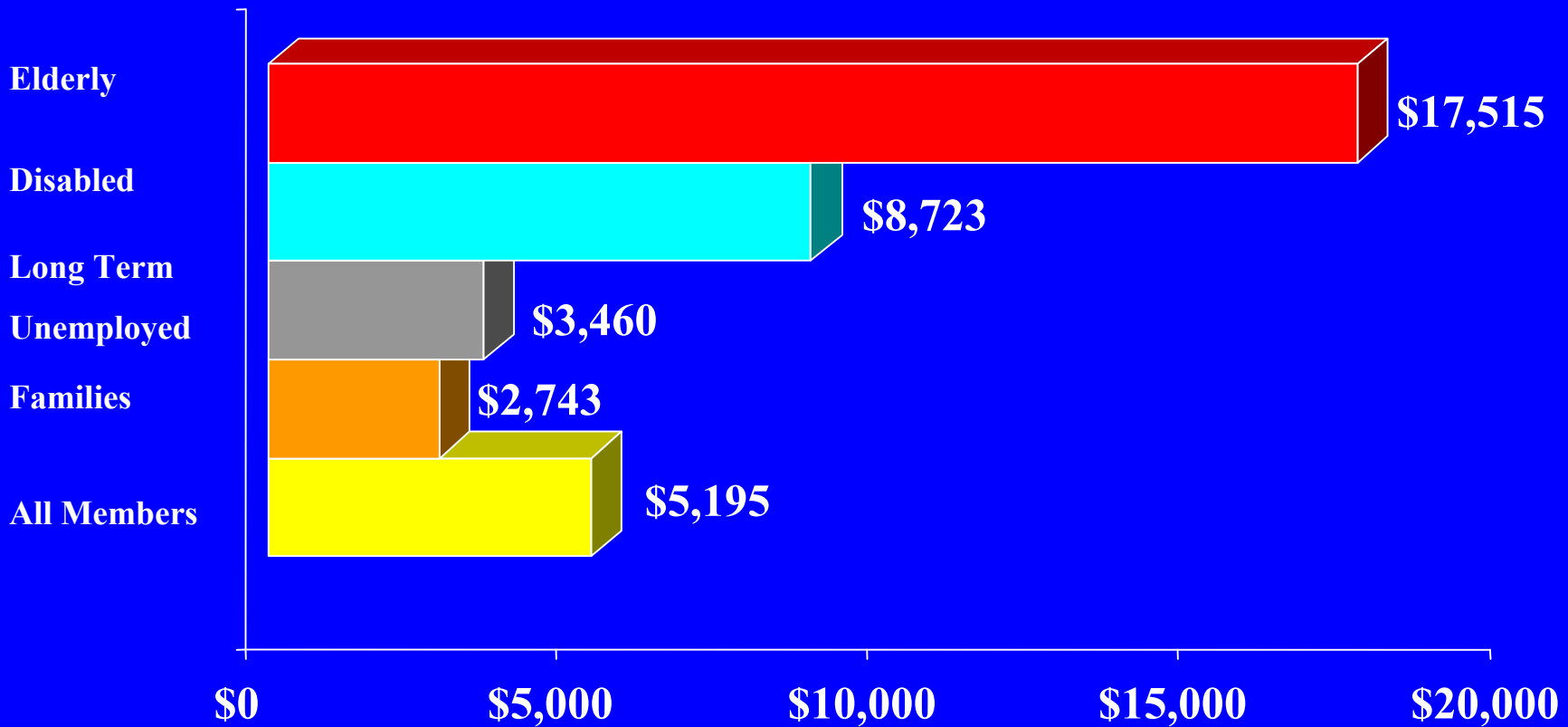
Most MassHealth Spending Is For A Relatively Small Proportion of Members, Most of Whom are Elderly or Disabled



Source: Division of Medical Assistance, enrollment as of 6/30/01 and FY 2001 estimated expenditures.

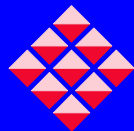


Services Provided to Elderly and Disabled Members Are Much More Expensive Than Those Provided to Families and Long-Term Unemployed Adults



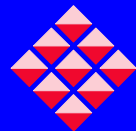
Expenditures Per Member: FY 2002

Source: DMA



Massachusetts Health Policy Forum, 2002

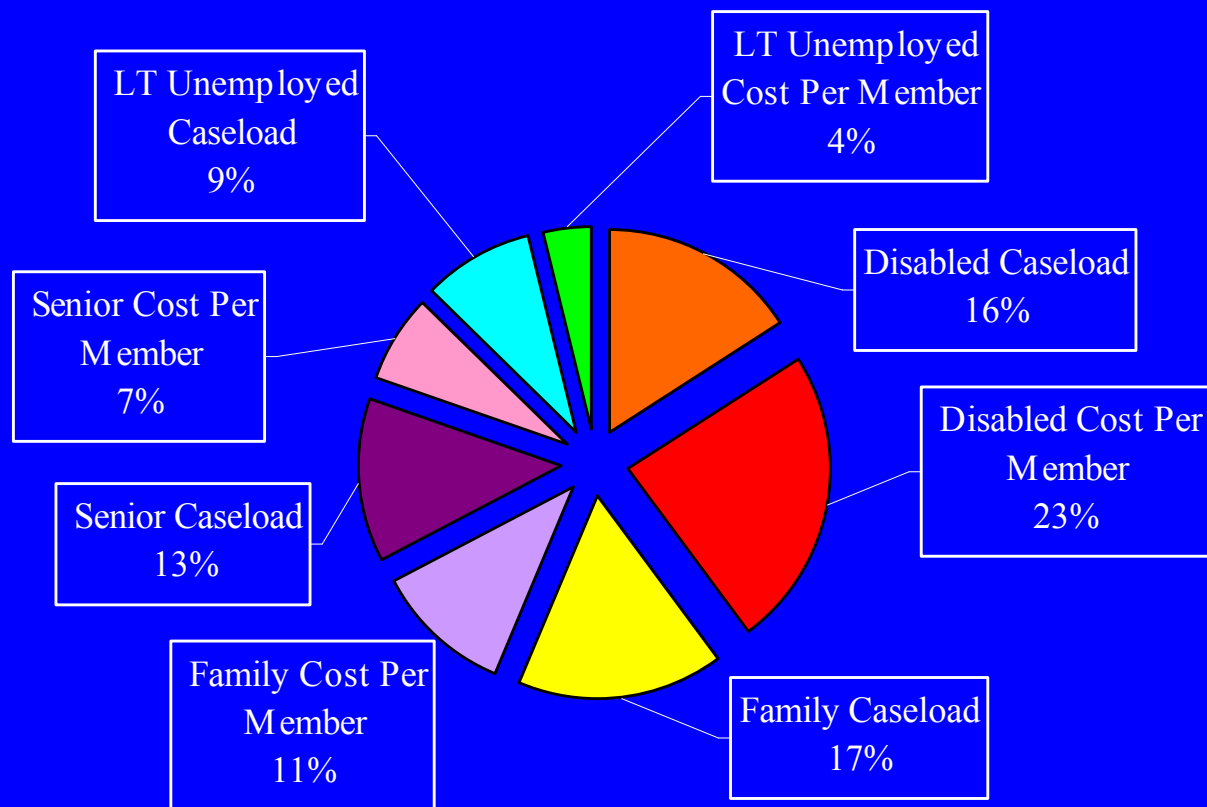
Explaining The Trends in MassHealth Spending



Massachusetts Health Policy Forum, 2002

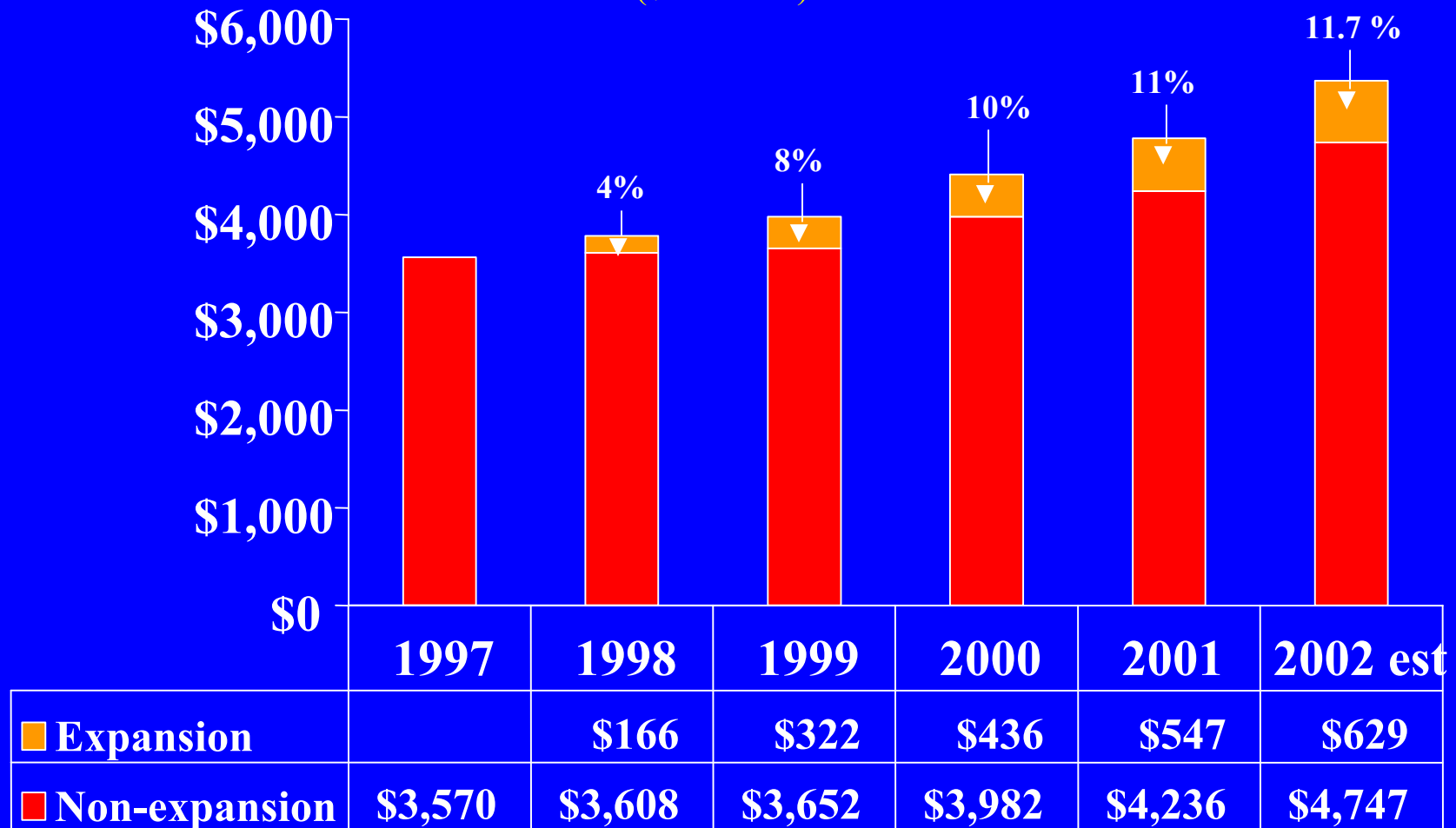
Increased Membership Explains 55% of the Increase in Expenditures, and Cost Per Member Accounts for 45%

FY98-01

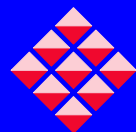


Expansion Accounts for 11% of Total MassHealth Costs in FY01 and 33% of Increases from FY97-02

Medicaid Expenditures: Expansion and Non-Expansion Populations
(\$ millions)



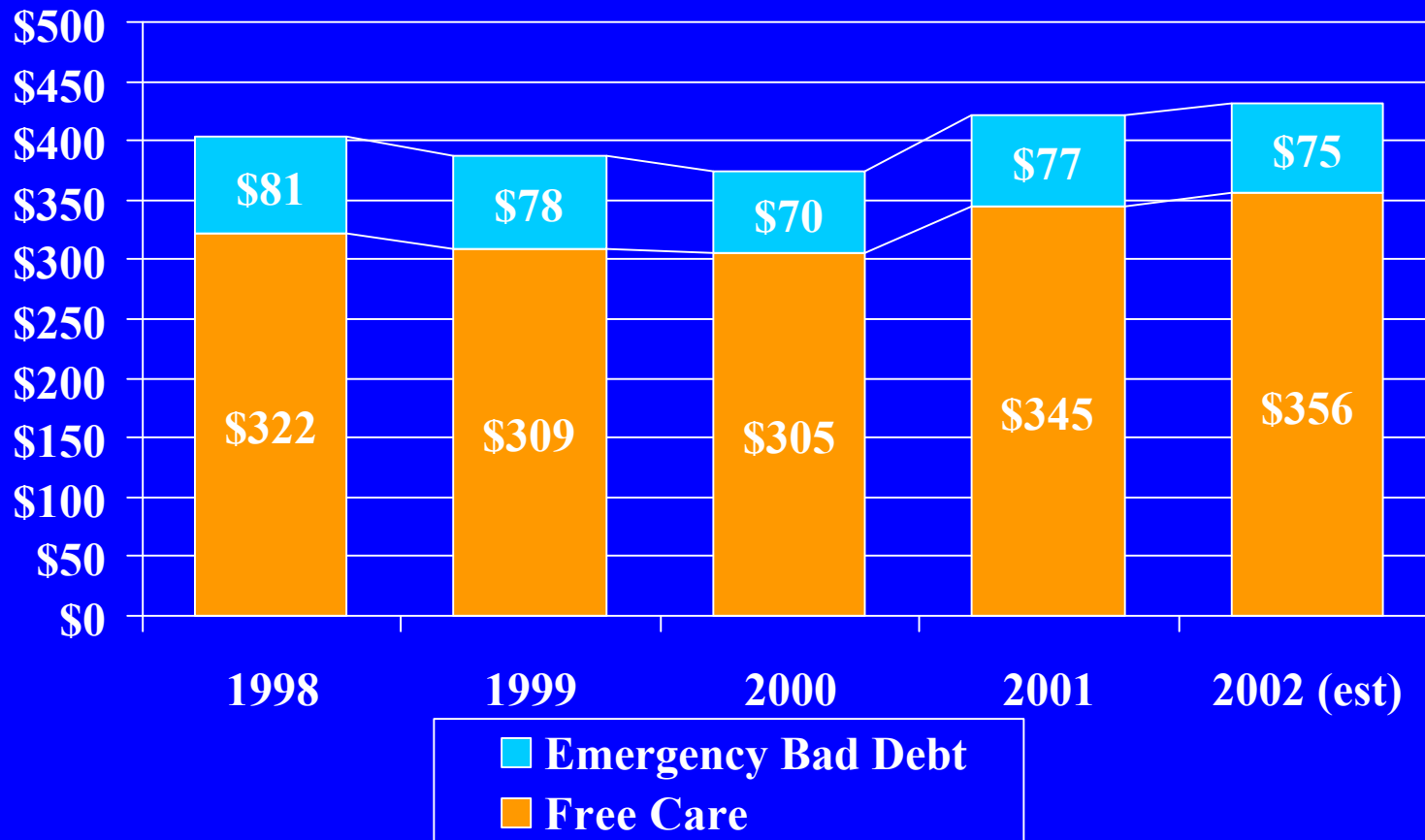
Source: Massachusetts Taxpayers Foundation. 2002.



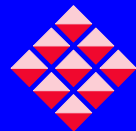
Massachusetts Health Policy Forum, 2002

Uncompensated Care Costs Went Down During the Initial Period of MassHealth Expansion

(\$ millions)

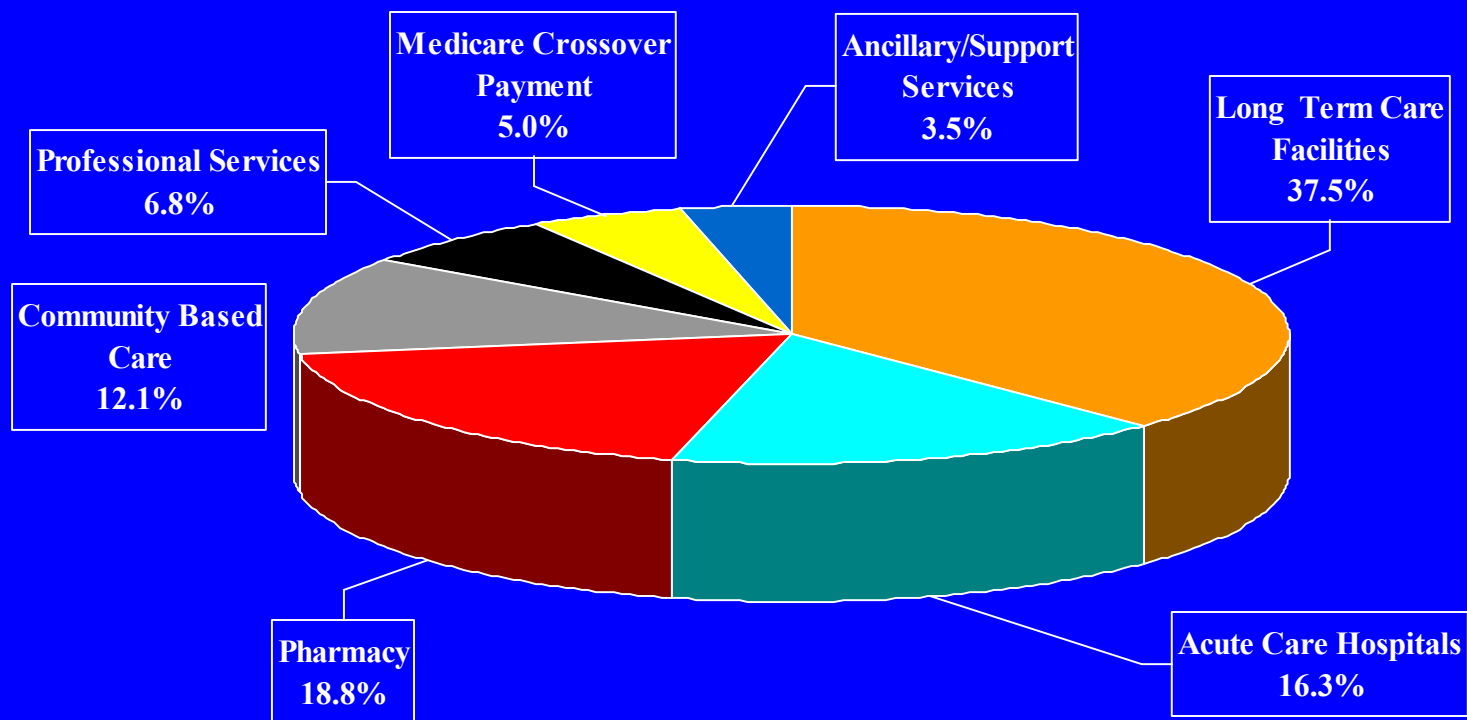


Source: DHCFP



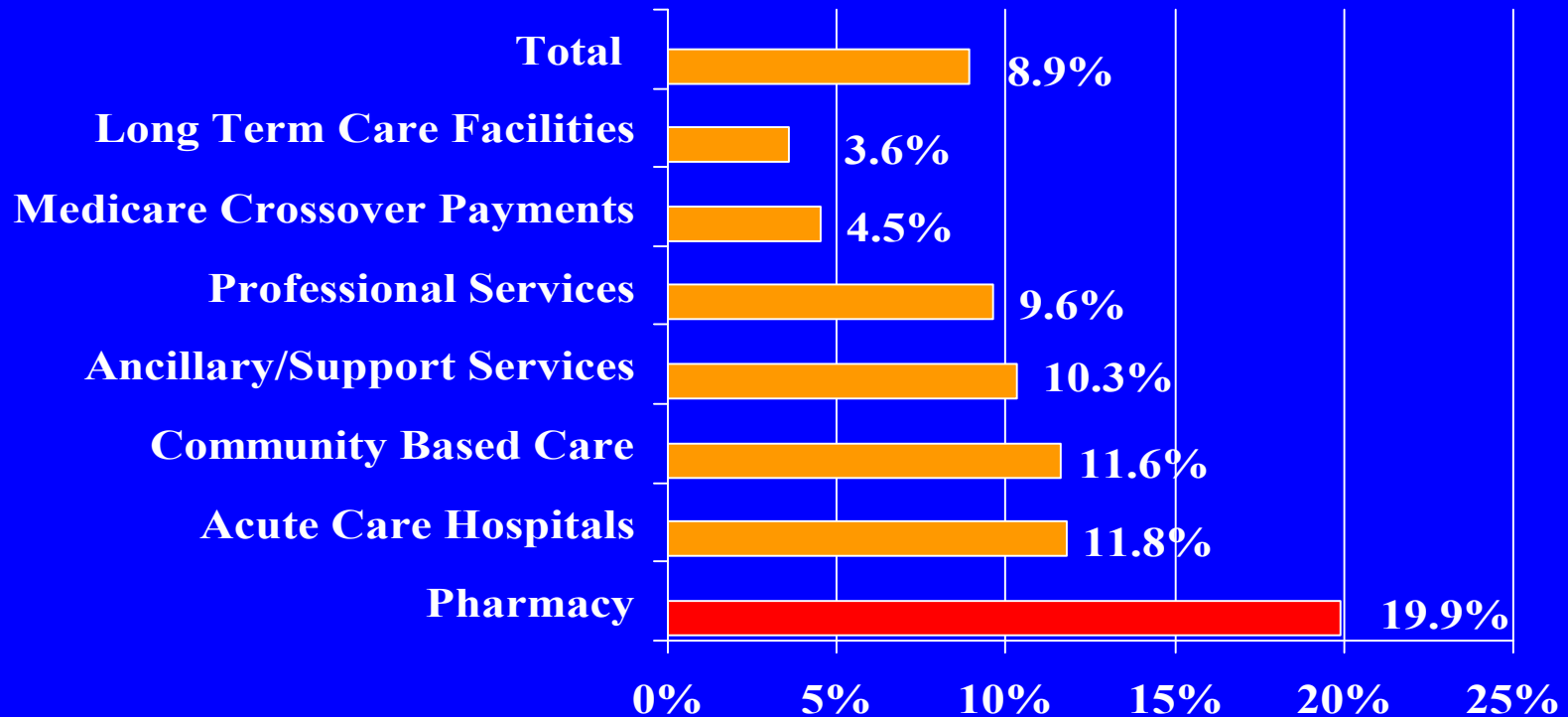
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Distribution of MassHealth Fee for Service Payments, FY 01

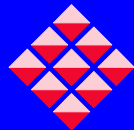


Total Spending on Pharmacy is Growing Twice as Fast as Spending for Any Other Service

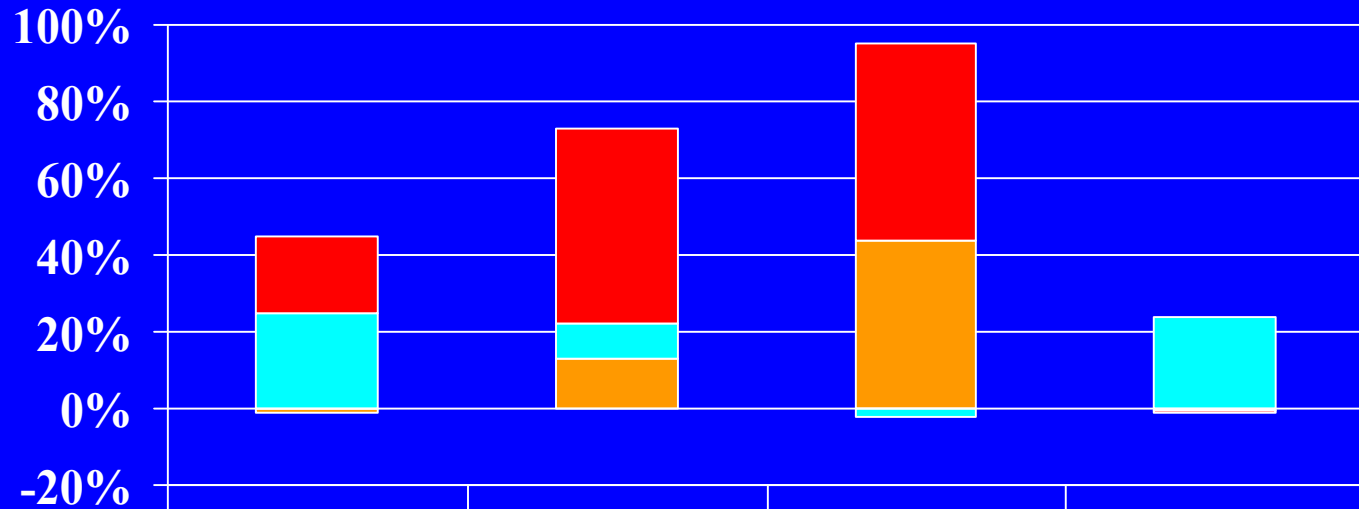
Average Annual Percent Increases in Total Spending*, FY98 – FY01



*Total spending reflect the effect of changes in membership, member mix, utilization and rates of payment

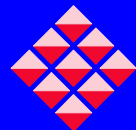


Causes of PMPM Cost Increases Vary by Group

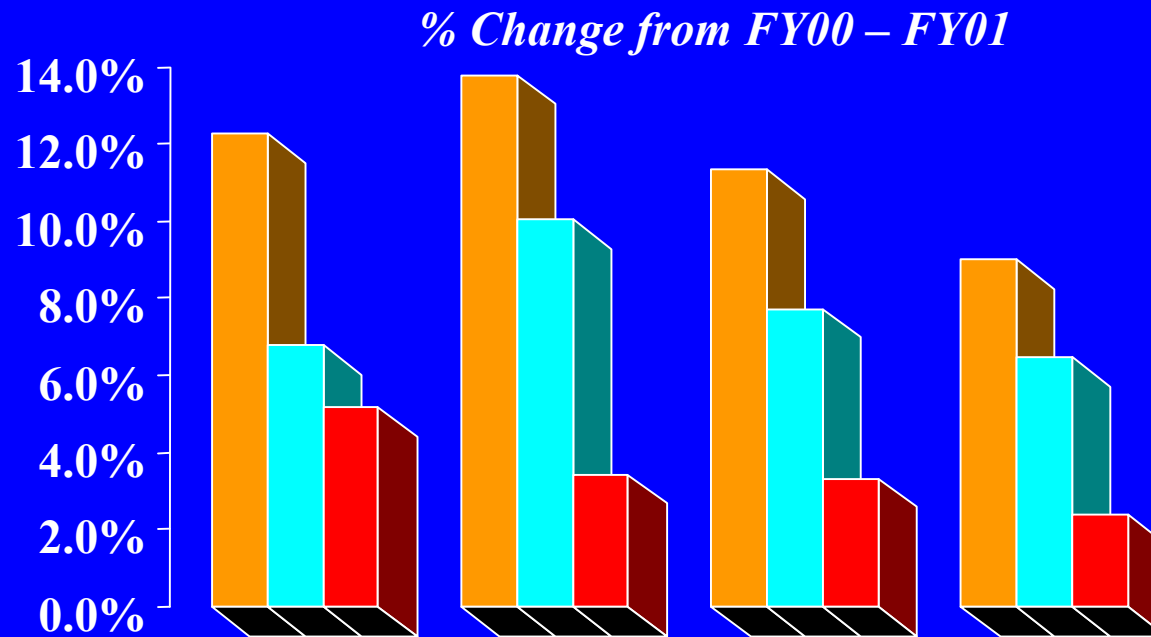


	Non Disabled Children and	Disabled Adults and	Seniors	LT Unemployed
Pharmacy	20%	51%	51%	-0.7%
Acute Hospital	25%	9%	-2%	24%
Comm LTC	-1%	13%	44%	-0.6%

Percent Contribution of Three Services to PMPM Expense Increases by Enrollment Group, FY98 - FY01

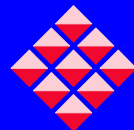


Cost per Prescription is Driving Pharmacy Costs PMPM



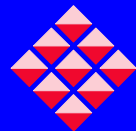
	Disabled Adults and Children	Non-Disabled Adults and Children	Seniors	Basic
■ % Change in Total Pharmacy Cost PMPM	12.3%	13.8%	11.3%	9.0%
■ % Change in Cost/Script	6.8%	10.0%	7.7%	6.5%
■ % Change in Scripts/Member	5.2%	3.4%	3.3%	2.4%

Source: DMA, FY00 – FY01 Change, Data through 3/30/02



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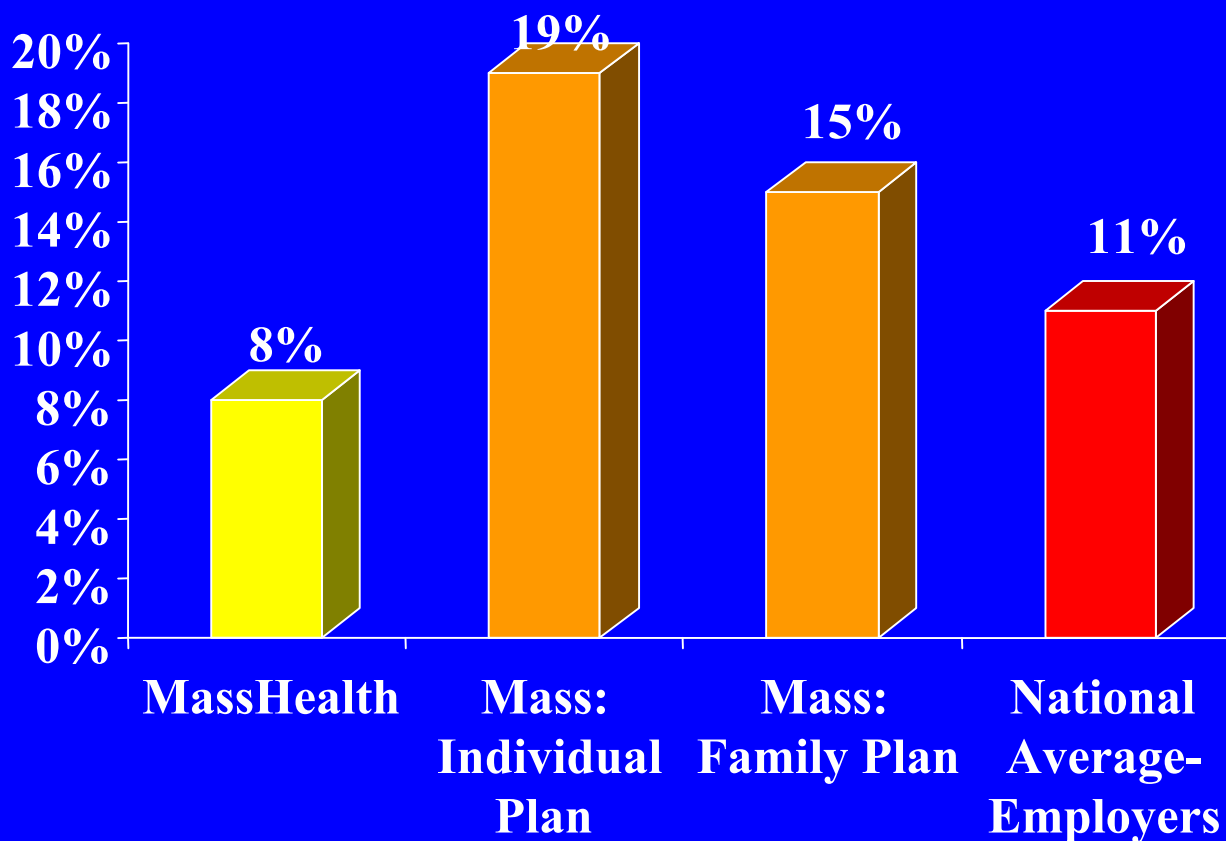
Putting MassHealth in Perspective



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Recent MassHealth Spending Growth is Lower than Trends for Private Health Insurance Premiums

MassHealth FY 2001 PMPM Growth Compared to Average Premium Growth

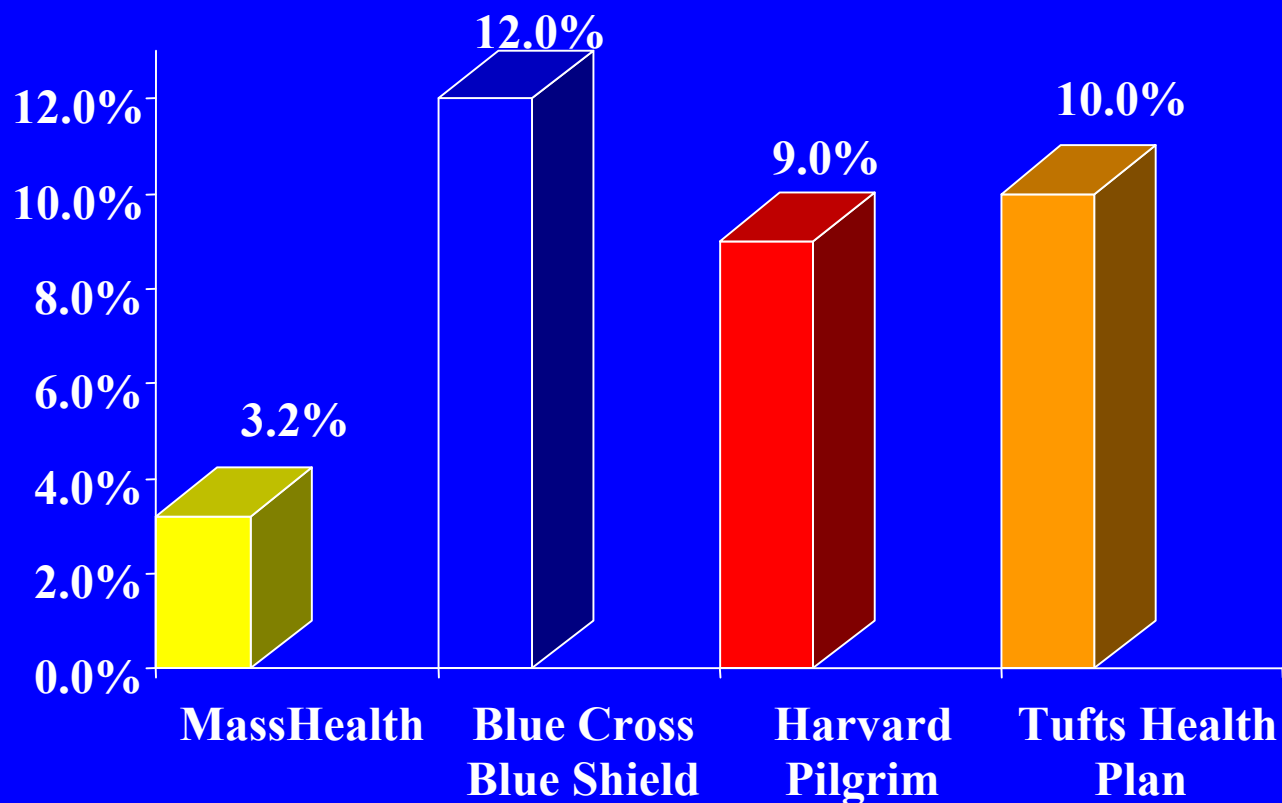


Source: DMA; Division of Health Care Finance and Policy, *2001 Employer Health Insurance Survey*; Kaiser Family Foundation, *Trends and Indicators in the Changing Health Insurance Marketplace, 2002*.



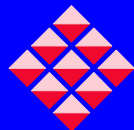
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Administrative Costs for MassHealth Are Far Lower Than For Commercial Health Plans



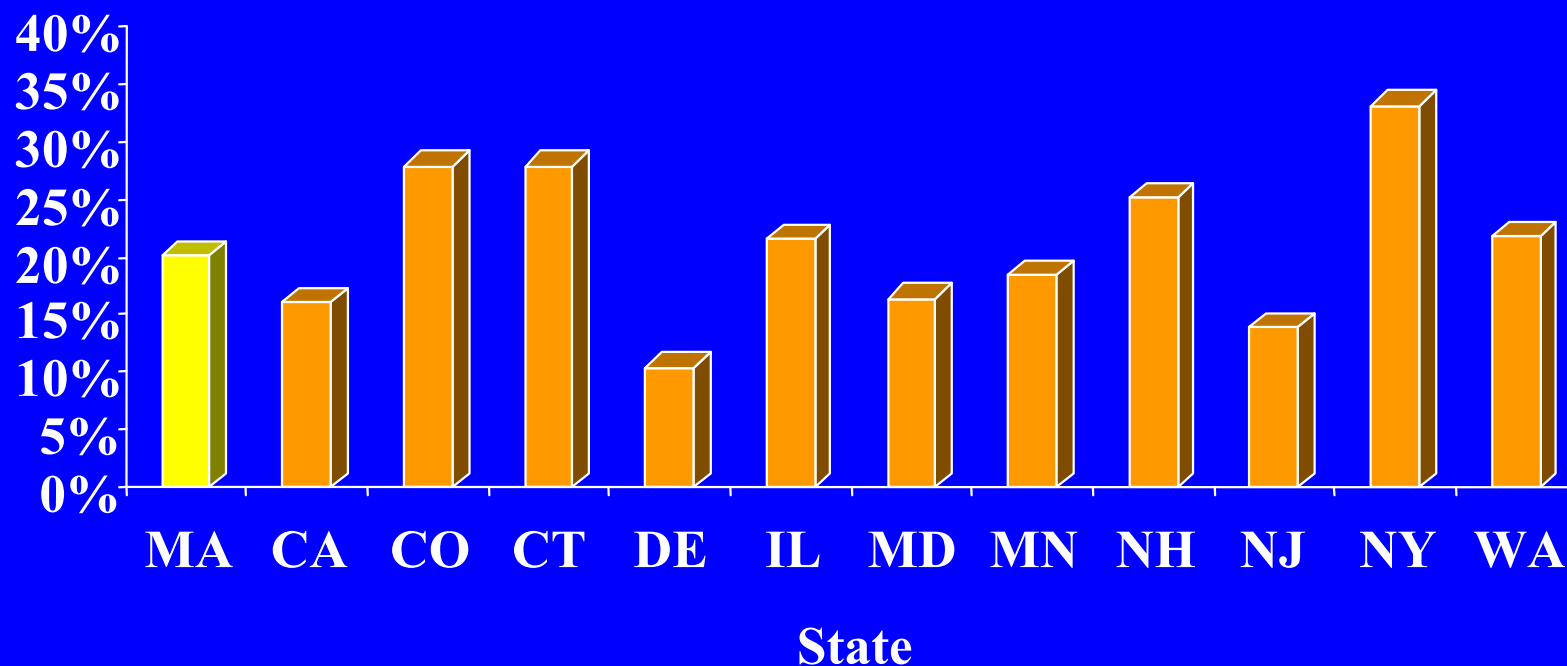
Administrative Costs as a Percent of Expenditures, 2001

Source: DMA and health plan 2001 financial reports. MassHealth includes administrative costs included in contracts with managed care plans and contract with UMass Medical School

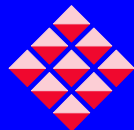


The Percent of Massachusetts State Expenditures Going to the Medicaid Budget is Average Compared to Peer States

Total Medicaid Expenditures as a Percent of Total State
Expenditures, FY01



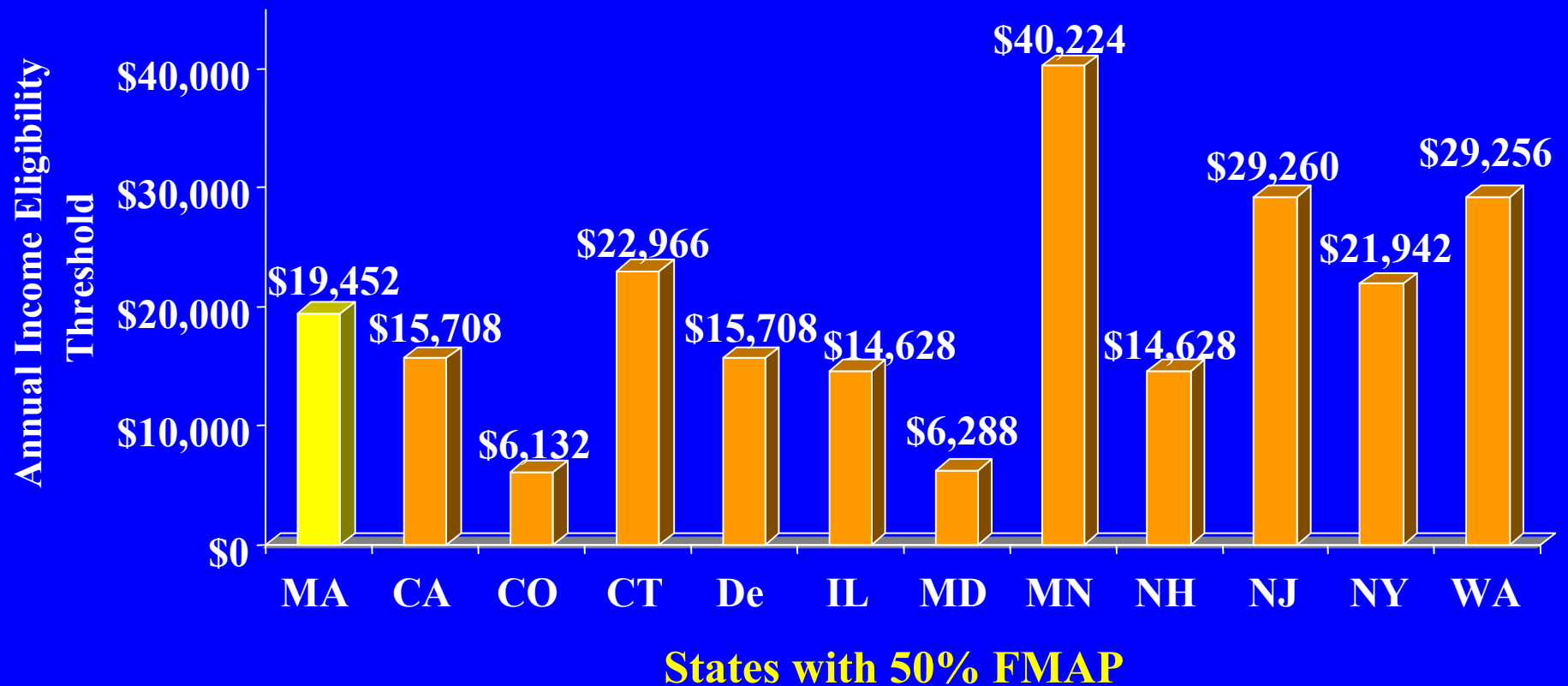
Source: National Association of State Budget Officers



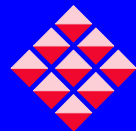
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MassHealth Income Standards Are Generally Consistent With, And In Many Cases More Stringent, Than Those in Peer States

How Much Can A Working Parent with Two Children Earn and Still Be Eligible for Support?

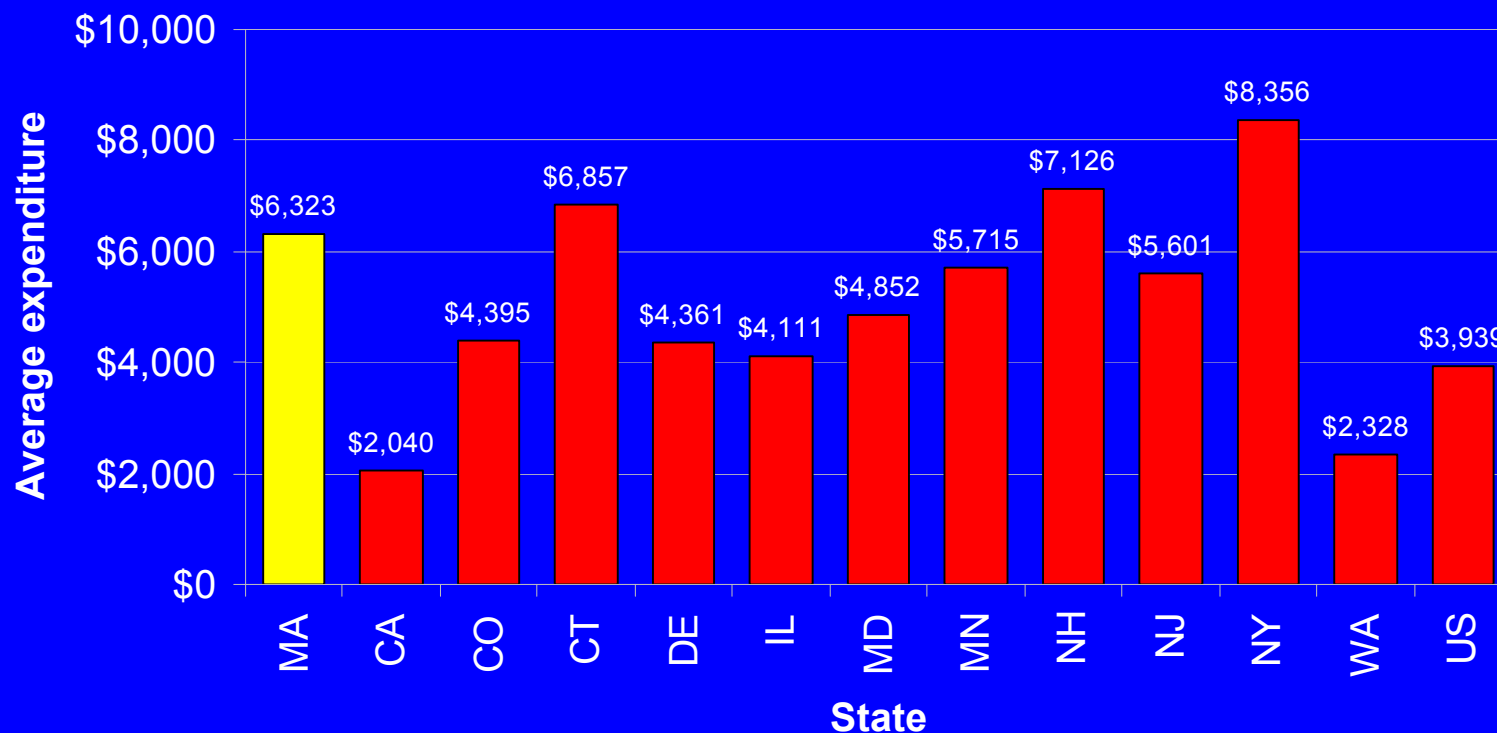


Source: Center on Budget and Policy Priorities, July 2001.



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Average Medicaid Expenditure Per Member, FY98



CMS "A Profile of Medicaid: 2000. Figures exclude DSH

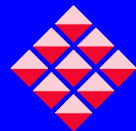


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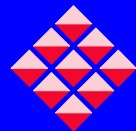
A Larger Proportion of MassHealth Members are Elderly, Disabled and/or in Nursing Homes Than in Other States

Indicator	MA Rank of 13 states
Medicaid Spending Per Member	#4
Medicaid Spending Per State Population	#2
Percent of State Population on Medicaid	#3
Elderly and Disabled as % Medicaid Members	#1
Percent of state population 65+ On Medicaid	#3
LTC spending as % total Medicaid spending	#4
Percent of Medicaid Members in Nursing Homes	#6
State Health Spending/Capita	#1

Source: Kaiser Family Foundation, State Health Facts



What More Can Be Done?



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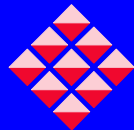
Broad Program Cuts are Not the Answer

- “Penny wise and pound foolish”
- Impact on UCP
- Loss of federal revenues
- Effect on poorest and most vulnerable
- Need is growing with economic downturn
- Potential consequences for financial condition of many providers



Focus on Major Spending Areas

- Institutional long-term care
 - Senior Care Options
 - Major reform of long-term care financing and delivery
- Prescription Drugs
 - Drug lists, drug price reductions
- Acute care hospital services
 - Care management and disease management
 - Initiatives to encourage community-based care



Other Priorities

- Federal revenue maximization
- Reform of Uncompensated Care Pool
- Longer-term approach to planning and financing MassHealth (e.g., ensure on-going health of Trust Fund)
- On-going mechanism for independent analysis and public discussion of MassHealth

